

**JAMES MADISON UNIVERSITY  
HARRISONBURG, VIRGINIA**

**INTERCOLLEGIATE ATHLETIC PROGRAMS  
FOR THE YEAR ENDED  
JUNE 30, 2003**



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UNIVERSITY OFFICIALS



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

May 14, 2004

The Honorable Mark R. Warner  
Governor of Virginia

The Honorable Lacey E. Putney  
Vice-Chairman, Joint Legislative Audit  
and Review Commission

Dr. Linwood Rose  
President, James Madison University

## **INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES**

We have audited the financial statements of James Madison University as of and for the year ended June 30, 2003, and have issued our unqualified report thereon dated May 14, 2004. At the request of the President of the University, we have performed certain agreed-upon procedures to the University's Intercollegiate Athletics Programs for the fiscal year ended June 30, 2003, discussed below, solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The University is responsible for the Intercollegiate Athletic Programs including preparation of the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs - Agreed-Upon Substantive Procedures**

- a. We obtained the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs (Schedule) for the year ended June 30, 2003, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Athletic Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.

- b. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and reviews of actual amounts expended in comparison to budgeted amounts.
- c. We vouched each individual contribution received directly by the University for its Intercollegiate Athletic Programs that constituted more than ten percent of the contributions so received. Except for contributions received from the James Madison University Foundation, Incorporated, a component unit, we noted no individual contribution which constituted more than ten percent of total contributions received for Intercollegiate Athletic.

Because the above procedures “a” through “c” do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs or any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the specified accounts or items should be adjusted. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletic Department of James Madison University in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to the President of the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of James Madison University or its Intercollegiate Athletic Department taken as a whole.

#### **Internal Control Related to Intercollegiate Athletic Programs - Agreed-Upon Procedures**

The management of James Madison University is responsible for establishing and maintaining internal control for its Intercollegiate Athletic Programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- d. We reviewed an organizational chart provided by the Intercollegiate Athletic Department and discussed it with appropriate personnel. We reviewed documentation of accounting systems and operating procedures. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.
- e. We reviewed internal control over cash receipts and disbursements, including payroll, for the Intercollegiate Athletic Programs. We reviewed the relationship of internal control over Intercollegiate Athletic Programs to internal control reviewed in connection with the audit of the University’s financial statements. Our review also

included those controls unique to Intercollegiate Athletic, which have not been reviewed in connection with the audit of the financial statements.

- f. We reviewed the University's procedures for monitoring booster group activities and concluded that those procedures were adequate.

Agreed-upon procedures "d" through "f" applied to certain aspects of the University's internal control were more limited than would be necessary to express an opinion on internal control of James Madison University in effect for the year ended June 30, 2003, taken as a whole. Because our review and evaluation was limited to applying those agreed-upon procedures, we do not express such an opinion. In connection with applying procedures "d" through "f" above, we noted no material weaknesses relating to internal control over the Intercollegiate Athletic Program activities administered by the University.

This report is intended solely for the information and use of the University and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

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kva:

JAMES MADISON UNIVERSITY  
SCHEDULE OF REVENUES AND EXPENDITURES  
OF INTERCOLLEGIATE ATHLETIC PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2003

	Administrative and General	Football	Men's and Women's Basketball	Other Sports*	Total
Operating revenues:					
Ticket sales	\$ 9,633	\$ 295,750	\$ 114,844	\$ 15,870	\$ 436,097
Game guarantees	-	35,000	35,000	-	70,000
Parking and postage	-	-	8,940	19,041	27,981
Private gifts	243,886	-	-	-	243,886
NCAA distribution	-	-	-	654,339	654,339
Facility rent	47,913	-	-	-	47,913
Total operating revenues	301,432	330,750	158,784	689,250	1,480,216
Operating expenditures:					
Coaches salaries	-	523,119	636,547	1,116,611	2,276,277
Other salaries	1,979,256	149,477	111,530	98,049	2,338,312
Fringe benefits	491,341	164,847	183,347	297,702	1,137,237
Financial aid	266,399	1,010,704	446,727	1,632,340	3,356,170
Other administrative expenditures	838,308	196,774	198,430	319,383	1,552,895
Administrative overhead	1,244,084	-	-	-	1,244,084
Insurance	87,782	-	-	-	87,782
Telephone	100,647	17,251	27,619	26,776	172,293
Travel:					
Team and recruiting	205,836	140,245	282,008	616,048	1,244,137
Convention	15,400	1,798	355	1,280	18,833
Game guarantees	-	63,000	29,400	1,000	93,400
Maintenance	698,845	931	4,292	2,075	706,143
Equipment	73,546	8,925	10,121	8,560	101,152
Debt service	728,686	-	-	-	728,686
Total operating expenses	6,730,130	2,277,071	1,930,376	4,119,824	15,057,401
Deficiency of operating revenues under operating expenses	(6,428,698)	(1,946,321)	(1,771,592)	(3,430,574)	(13,577,185)
Allocation of student fees	13,572,815	-	-	-	13,572,815
Net increase (decrease) for the year	\$ 7,144,117	\$(1,946,321)	\$(1,771,592)	\$(3,430,574)	\$ (4,370)

\* Other sports include baseball, golf, soccer, lacrosse, track, cross country, swimming, tennis, wrestling, field hockey, archery, gymnastics, fencing, and volleyball.

The accompanying Notes to the Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs are an integral part of this schedule.

JAMES MADISON UNIVERSITY

NOTES TO THE SCHEDULE OF REVENUES AND EXPENDITURES

OF INTERCOLLEGIATE ATHLETIC PROGRAMS

AS OF JUNE 30, 2003

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenditures of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The Schedule's purpose is to present a summary of revenues and expenditures of the University's Intercollegiate Athletic Programs of the University for the year ended June 30, 2003. The schedule includes only those revenues and expenditures for Intercollegiate Athletic Programs under the direct accounting control of the University. Because the Schedule presents only a selected portion of the University's activities, it is not intended to and does not present either the financial position, changes in financial position, or changes in cash flow for the year then ended. Revenues and expenditures directly identifiable with each category of sport presented are reported accordingly. Revenues and expenditures not directly identifiable to a specific sport are reported under the category "Administrative and General."

2. COMPONENT UNIT

The Schedule does not include transactions of the James Madison University Foundation, Inc. This foundation was organized for fund-raising activities that support the welfare, efficiency, and general objectives of the University. The Foundation gave the University \$243,886 for athletic scholarships during the fiscal year ended June 30, 2003.

JAMES MADISON UNIVERSITY  
Harrisonburg, Virginia

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